

COMMENTARY ON
BUY-SIDE ADVISORY FOR
TECHNOLOGY, MEDIA AND
TELECOMMUNICATION (TMT)
GERMAN M&A ACTIVITIES AND TRENDS IN 2021

INSIDE:

- Sector development
- Looking ahead and sector trends
- Challenges and solutions on the buy-side
- Recent deals
- About Clairfield International



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SECTOR SNAPSHOT – TMT

German M&A activities 2021 with focus on buy-side solutions

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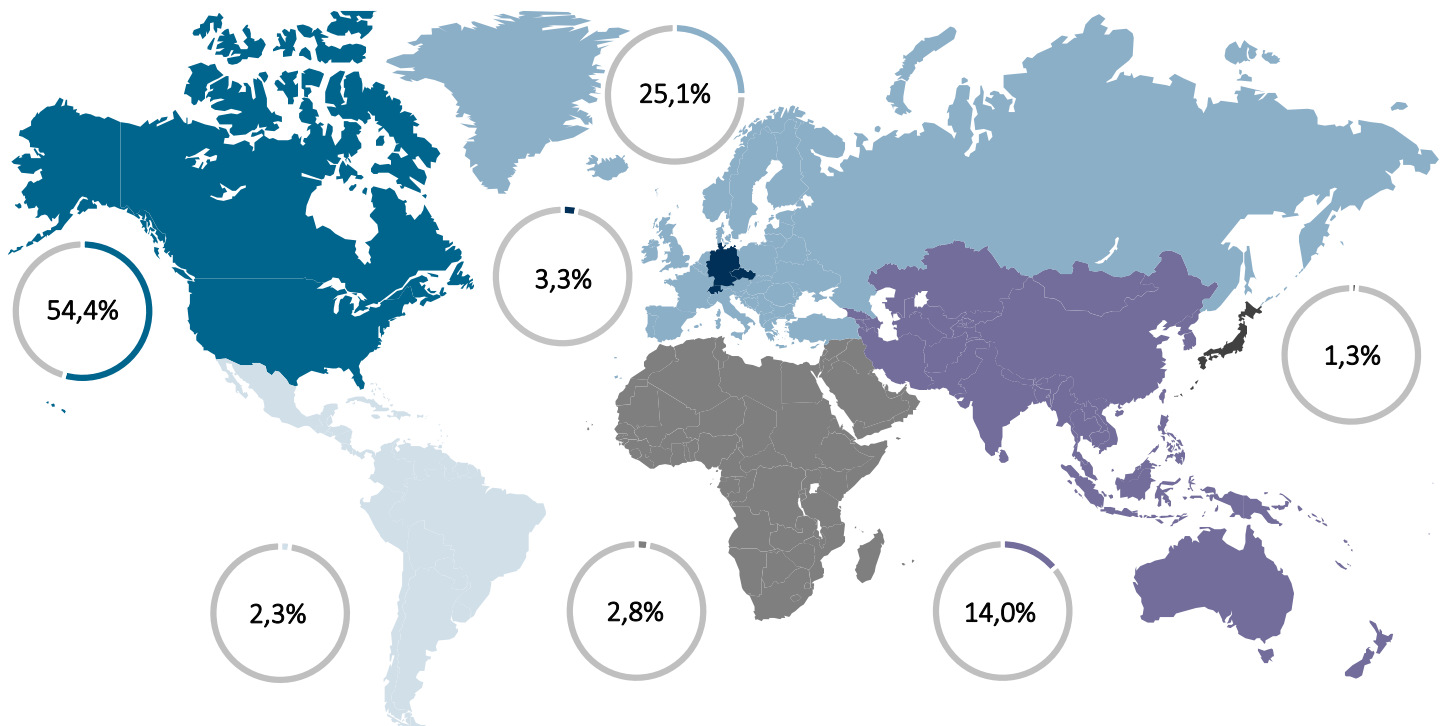
Overall market environment

The strong momentum in M&A activity from the previous quarter continued in the first quarter of 2021. On a global scale, activity in the first quarter of 2021 reached EUR 0.99 trillion, making it the highest annual opening on record. This opening was typified by a smaller number of deals and overall larger deal sizes. A significant contributor to overall deal activity were crossborder deals, amounting to EUR 439 billion and thereby nearly returning to the historical average of more than 44.4% of total deal value after the dip in 2020. The strongest sector in the first quarter of 2021 was technology, which continued its dominance from the past with a value of EUR 220 billion. Accordingly, the overall TMT sector maintained its momentum and accounted for 29.7% of total deal value, reaching 1,237 deals with a cumulative deal value of EUR 293 billion.

These trends were also prevalent in European M&A activity. The EUR 247.54 billion in European deal value was 51.4% higher than the value in the equivalent first quarter period in 2020. Broken down specifically to the DACH region, deal value in the first quarter 2021 amounted to EUR 32.89 billion, spread over a total of 302 deals. In terms of European cross border M&A activity, 359 deals were announced in Q1. This accounts for 46% of the total European value and 17.5% of the European deal count. At 19.8% of all deals in the first quarter of 2021, TMT was the most active sector in terms of deal value in Europe. A total of EUR 68.41 billion was invested in TMT M&A in Europe in the first quarter of 2021, spread across 471 deals.

Source: MergerMarket 1Q2021

Global overview - regional M&A comparison



Global M&A	987.5bn	+96.8% vs. 1Q20	European M&A	247.5bn	+51.4% vs. 1Q20
Crossborder	438.9bn	+27.2% vs. 1Q20	Crossborder	114.2bn	+37.1% vs. 1Q20
Technology (top sector)	239.9bn	+256% vs. 1Q20	Technology	68.4bn	+228.7% vs. 1Q20

All amounts were converted from USD to EUR; 1 USD = 0.85 EUR

Source: MergerMarket 1Q2021

Ongoing and forward-looking sector trends

Internet of Things (IoT): IoT describes every “thing” that can be connected to the internet, from vacuum cleaners to production lines. It encapsulates a world that is becoming more and more digitalized and in which “things” and the internet are becoming more and more difficult to separate from each other. For instance, IoT can track the origin, location, and quality of components through the supply chain and during the production process. Smart manufacturing, which involves aggregating and analyzing data from IoT, enterprise applications and Artificial Intelligence (AI), is expected to revolutionize current processes.

Intelligent edge: This term refers to data analysis and the development of solutions at the site where the data is generated, with implications for industrial monitoring, automated manufacturing, supply management, and telecommunications. The intelligent edge promises several key functionalities: the bandwidth can be used more efficiently and the network benefits from a greater visibility, which can potentially reduce costs; the reduced reliance on wide area networks (WANs) leads to a higher resilience against poor and unreliable connectivity; by enabling more data to be kept locally rather than transferring it through the network to the core, a greater control over data triage and data protection can be achieved; the support for low-latency and fast-response use cases assist the trend towards greater automation and autonomy. The intelligent edge therefore has the potential to benefit any organization that manages infrastructure, industrial processes, networks, clouds, and data centers.

Digital transformation and cloud services: Digitalization and decentralized working methods have become top priorities for companies, not least as a result of the COVID-19 crisis. Many companies are currently digitally transforming their businesses or planning to do so. Among the key drivers for digital transformation are business agility, communications, cost reduction, improved operations and internal processes, the ability to attract and retain talent and to better understand customers. The potential for monetizing data and new tech, however, is still largely untapped. Most companies are focused on becoming more operationally efficient rather than leveraging digital transformation for new business opportunities and monetizing new offerings. One of the key drivers of digital transformation continues to be cloud computing, with recent growth in the use of private cloud services, partly due to the promise of enhanced data security and disaster recovery.

EU Digital Services Act (DSA): On 15 December 2020, the draft of the DSA was published, assigning responsibility for online damages and pushing market players towards greater transparency. One major proposed amendment is that a publicly available explanation must be provided to explain why a host has removed or disabled content. In an effort to address illegal and harmful goods and services offered online, the Commission is also proposing new “know your trader” requirements, obliging online platforms to obtain proof of traders' identity and actively verify that they are correct. All of these regulations require businesses to adapt and invest in order to reap the benefits of participating in the increasingly regulated digital services sector.

Source: Deloitte, Baker McKenzie

Challenges and value added in buy-side transactions

Buy-side advisory services are a vital part of Clairfield’s service offering. In the last three years in the DACH region, Clairfield advised TMT-sector transactions with a cumulative value of more than EUR 400 million. Historically most of the clients in this segment have been large international enterprises, many of which are publicly listed including Bechtle AG (ETR: BC8), Devoteam SA (EPA: DVT), and Reply (MTA, STAR: REY). Since 2020 we see an increasing number of buy-side engagements for portfolio companies of private equity investors such as ASOLVI, backed by Volpi Capital. When Clairfield works as a buy-side advisor, we assist our clients in overcoming procedural hurdles in the transaction process and in the creation of value for their company and investors. The typical buy-side process, as outlined below, show how these two goals often go hand in hand:

Identification of possible targets: As the first step in the transaction process, Clairfield will initially identify potential acquisition targets according to the criteria set by the client and the given circumstances of the sector and market. Bilaterally, Clairfield and our client assess the strategic fit of the potential target as well as the general interest to participate in a transaction. Extensive industry knowledge and a broad network in the TMT sector allow Clairfield to structure this process efficiently and in a goal-oriented manner. We are often able to create additional value for our client by avoiding an auction process. This also leaving more time for strategic valuation and to choose the most suitable target out of a list of potential transaction possibilities. Opening a fruitful discussion with a potential target requires tact and preparation. This is one of our key strengths when it comes to buy-side advisory services.

Valuation and Due Diligence: In addition to assessing risks and gauging the strategic fit, due diligence gives an approximate valuation range of the target. However, price is not the only benchmark through which the attractiveness of a transaction should be judged. Clairfield initiates and guides the parties through this vital step in the transaction process. We are able to quantify the strategic fit and potential synergies between buyer and seller as well as evaluate the overall performance of the potential target thanks to the in-depth market and TMT sector expertise of our international team. Emphasis is placed on the competitive position of possible targets in the industry and the potential combined position, which is essential for evaluating the incremental value that can be achieved through the acquisition.

Negotiations: In several rounds, Clairfield will advise in negotiating further deal terms such as earn-out models, employment contracts, and warranties and indemnities, as well as transfer service agreements (TSA) if a carve-out scenario is in place. Furthermore, Clairfield acts as a rational agent and will advise clients when to stop bidding, recognizing when a transaction loses value or the strategic rationale from a buyer's perspective cannot be achieved.

Recent TMT sector deals

Among recent IT transactions, Clairfield has closed landmark deals. The German-based provider of hosting services Profighost AG was sold to dogado GmbH, the German specialist for internet-based business processes and portfolio company of Triton Partners. The French advertising service provider Solocal S.A. sold its Spain-based QDQ Media to AS Equity Partners. In Hungarian deal activity, the comparison portal Bankmonitor was sold to the state venture capital fund Hivenures. In Italy, the digitalization company and provider of e-invoicing services 2CSolutions was sold to Namirial, a leading company in digitizing business processes. After raising nearly EUR 96 million through its IPO, Locaweb, the Brazilian website hosting, internet services and cloud computing company, acquired Bling, Pagcerto, DOOCA and Connectplug among others. In all of these transactions and many others, Clairfield acted as buy-side advisor.

Recent Clairfield transactions and buy-side advisory services in the TMT sector

Erbud (WSE:ERB), a leading Polish construction group listed on the Warsaw Stock Exchange, acquired **Bilfinger Rohrleitungsbau** from Bilfinger Group.

Confirma Software acquired **Tietoaika Oy**, a Finnish developer of residential real-estate management solutions.

Asolvi, Europe's leading provider of field service and contract management software, agreed to acquire **TIVAPP**, the leading German field service solution for the fire protection and security sector.








Orange Group, through its Polish subsidiary Orange Poland, acquired 100% of the shares of **Bluesoft**, a market leader in comprehensive end-to-end IT services in Poland.

Devoteam SA (EPA: DVT), a pure player in digital transformation of large organisations in EMEA, acquired 100% of **Alegri** International Service GmbH, a leading consulting company for Digital Workplace & IT transformation in Germany.

Reply (MTA, STAR: REY), a European IT service provider and media conglomerate, agreed to acquire **CSPI GmbH Technology Solutions**, the German operations of CSPI, a provider of IT managed services, security solutions, and packet capture products.

Bechtle AG (ETR: BC8), the European IT retail leader with EUR 3.5 billion in revenue, acquired **Inmac Wstore**, the remaining European business of Systemax Inc, a US-based industrial group.

The German branch of Big-4 audit company **KPMG** acquired SAP consulting and data science company **Conogy GmbH**.

 ACQUISITION BILFINGER ROHRLEITUNGSBAU GMBH	 ACQUISITION tietoaika.fi
 ACQUISITION TIV APP	 ACQUISITION BLUESOFT EFFICIENT SOLUTIONS
 ACQUISITION Alegri	 ACQUISITION CSPI
 ACQUISITION inmac wstore Systemax BUSINESS	 ACQUISITION CONOGY

About Clairfield

Clairfield is an international corporate finance partnership that provides advisory services, mainly in crossborder mergers and acquisitions, to international corporations, family-owned businesses, and financial investors. With over 30 locations, we offer our services in more than 20 countries in Europe, America, Asia and Australia. Over 300 M&A and corporate finance advisors and industry experts at Clairfield provide our clients direct access to local know-how of regional offices worldwide and to specialized industry advisors. In 2020, we closed more than 120 transactions and ranked as one of the top M&A advisory firms in the tech-sector in Europe according to Refinitiv.



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Clairfield International was founded in 2005 by four European M&A boutiques and has since expanded to encompass all major economies worldwide with the addition of knowledgeable partners in key markets.

Our strengths are our entrepreneurial spirit, local expertise, industry know-how, and close bonds among all team members spanning the globe.

300+

TEAM MEMBERS

80%

OF OUR MANDATES
ARE INTERNATIONAL

6

SECTOR TEAMS OF
SPECIALIZED EXPERTISE
BACKED BY

26

COUNTRY TEAMS
ACROSS THE WORLD

30%

DEALS CLOSED WITH
INTERNATIONAL BUYERS

70

INDUSTRY
ADVISORS



Leading independent M&A advisor for midmarket deals

Top 10

IN EUROPEAN
MIDMARKET RANKINGS

Top 20

IN WORLDWIDE
MIDMARKET RANKINGS

600+

DEALS CLOSED
IN THE LAST 5 YEARS

EUR 20 billion

CUMULATIVE DEAL VALUE
IN THE LAST 5 YEARS

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